TESTIMONY OF

PAUL WOLFOWITZ

DEAN
THE PAUL H. NITZE SCHOOL OF ADVANCED
INTERNATIONAL STUDIES
OF
THE JOHNS HOPKINS UNIVERSITY

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Mr. Chairman, I appreciate the opportunity to testify before this committee on the important subject of U.S. technology transfer to China. Although this is committee is known in shorthand as the "commerce committee," under your chairmanship I know that considerations of national security will be given priority over purely commercial considerations, as I believe they must be.

I also appreciate that you will concentrate on questions of policy. The tendency in Washington to try to criminalize policy disagreements contributes to the idea that if no crime was committed nothing is wrong. In fact, to paraphrase Talleyrand, some things are worse than crimes, they are mistakes. In this case the policy issues involved concern the security of future generations of Americans, so mistakes are extremely serious. And the conclusion is virtually inescapable that policy mistakes have been made in the area of technology transfer to China, because there has been no policy, other than a policy of blanket approvals.

Now, some may argue that not having a policy actually is the right policy, because it contributes to a better relationship with China and that improvement in that relationship is in the long-term interests of the United States. I happen to share the view that our long-term relationship with China is one of the most important issues, quite possibly the most important issue, facing U.S. security in the next century. But I do not believe that a good relationship with China can be based simply on the United States doing its best to please China. It must be based fundamentally on China's behaving responsibly as it becomes, over the course of the next several decades, one of the most powerful countries in the world. To achieve that, U.S. policy must recognize the fact that there are major elements of competition and potential conflict in the relationship, particularly in the military sphere. Improvements in Chinese military capabilities – particulatly Chinese long-range missile capabilities – may be inevitable but they are nopt are not in the long-term strategic interests of the United States.

Of course, China is a strong and capable country that can eventually acquire the military capabilities that it wants to have without any help from us. However, we need to weigh carefully the strategic consequences of actions that have the effect of speeding up China's military development against the possible strategic benefits. If there are no strategic benefits, or if the costs clearly outweigh the benefits, I do not believe that any amount of commercial gain justifies the transfer of technology to China's ballistic missile programs, whether directly or indirectly.

Making such an assessment requires a policy framework and it seems quite clear that at the moment no policy framework exists. Nothing is more telling proof of that point than the Administration's claim that they are merely continuing the policy of the Reagan and Bush Administrations. Now, some might applaud this as commendable bipartisanship on the Administration's part, and the fact that the Clinton-Gore campaign in 1992 excoriated President Bush for supposedly "coddling" China shouldn't be held against them. After all, people mature when they enter office and if this Administration has now adopted the sensible policies of its predecessors, perhaps it deserves to be congratulated.

As it happens, I served in both the Reagan and Bush Administrations. In fact, as Assistant Secretary of State for East Asian and Pacific Affairs from 1982-1986, I played a role in the process by which the Reagan Administration decided to liberalize controls over the transfer of dual-use technology to China. I believe that President Reagan's decision to liberalize those controls in 1983 was a correct one. However, to continue that same policy fifteen years later, in a world that has been fundamentally transformed strategically, would be a serious mistake.

Permit me to go over a bit of history. When George Shultz became Secretary of State in 1982, our relations with China were troubled. I accompanied him on his first visit to China in February 1983. During that visit it became clear that the most serious Chinese concern was over the very tight controls imposed on the transfer of all dual-use technology. Deng Xiaoping personally complained to Shultz that we were treating China just like the Soviet Union and that, although many U.S. officials had promised China greater access to Western technology, instead of "rain" China had received only a few "drops."

When we returned to Washington we undertook a fundamental review of U.S. technology transfer policy toward China. We concluded that it made no sense to have the same restrictions on China that were being applied to the Soviet Union at the height of the Cold War. In fact, China was then a counter-weight to Soviet military power, helping us to offset the Soviet threat to U.S. allies in Europe and Asia. It was in the interest of the United States to help China develop the military capabilities needed to deal with the formidable threat that it faced from the Soviet Union. Moreover, China at the time was cooperating with the United States on a number of important strategic issues, particularly in Afghanistan, and some degree of reciprocation on our part was warranted.

At the same time, we disagreed with those who said that we should simply drop all controls on technology transfer to China, as the Chinese wanted. Instead, we established "green lines" that substantially liberalized technology controls, but retained control over the most sensitive technologies that were above the "green line." Of particular concern at the time were technologies that contributed to Chinese missile and ASW capability, capabilities that were most directly threatening to the United States.

It should be obvious from this account that a review of the policy of fifteen years ago is long overdue. Most fundamentally, the Soviet Union no longer exists and Chinese military strength no longer serves as a counterweight that helps United States security. To the contrary, China is in the process of becoming – albeit still quite slowly – probably the major strategic competitor and potential threat to the United States and its allies in the first half of the next century.

Moreover, China has changed in other ways, none of which would argue for a liberalization of technology transfer. Instead of a strategic partner, cooperating with us on Afghanistan and other issues, China has become a leading proliferator of dangerous technology to enemies of the United States, particularly Iran. Instead of being a stabilizing force in Asia, Chinese behavior in the Spratly Islands and elsewhere has begun to raise questions about China's long-run role. During the crisis in the Taiwan Straits three years

ago, China used "tests" of its ballistic missiles to threaten Taiwan and, on one occasion, reminded a senior U.S. defense official of China's ability to threaten the United States with ballistic missiles.

None of this should lead to the conclusion that China should be treated as an enemy of the United States. But for a country to receive assistance that contributes to its development of ballistic missiles, not being an enemy is not good enough. Our relationship with China has certainly not reached the stage of "strategic friendship" that President Clinton claimed for it during his recent trip.

All of this argues for a fundamental review of U.S. technology transfer policy toward China, with a view toward tightening. What has happened instead is the opposite. This Administration has substantially loosened controls on dual-use technology of all kinds, and particularly with its decision to transfer licensing authority over satellite exports from the State Department to the Commerce Department. I support the proposals to restore State Department jurisdiction in this area, but it must be emphasized that this action alone is not a substitute for a fundamental policy review. In the absence of a serious policy I doubt whether State jurisdiction will produce decisions that are any different from those of the Commerce Department. Even a larger role for the Defense Department will not ensure a more strategic view of the issues, unless there is a policy and personnel to impose such a view.

Of course, one important strategic aspect of this issue does not concern China specifically but concerns the health of the U.S. satellite industry. That industry is one of our major strategic assets and access to the cheaper launch services provided by China is no doubt good for the U.S. satellite industry. That is a strategic benefit. However, this benefit must be weighed against the transfer of technology that will unavoidably take place and the financial subsidy that such sales provide to the Chinese missile industry. Serious consideration should be given to a policy that would maintain the competitive advantages of the U.S. satellite industry but that would subsidize U.S. launch capabilities rather than those of our strategic competitors. How much such a policy would cost – and how much it is worth – are serious issues that cannot be resolved without serious study. However, given the stakes involved, not only for this generation of Americans but for our children and grandchildren, such a review is urgently needed.